

Message Text

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PAGE 01 MANILA 00320 070632Z
ACTION EA-12

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USDOC FOR MPD; DEPT PASS TO EXIM

E.O. 11652: N/A
TAGS: BENC, RP
SUBJECT: MAJOR PROJECT: INTEGRATED STEEL MILL

REF: 77 MANILA 20202

1. SUMMARY. IN CONTINUING EFFORT TO STRESS U.S. FIRMS' INTEREST IN INTEGRATED STEEL PROJECT, EMBOFF CALLED ON EDUARDO J. RODRIGUEZ, PRESIDENT, NATIONAL STEEL CORPORATION, JANUARY 4. HIS REPORT ON PRESENT STATUS OF PROJECT IS CONSISTENT WITH REPORT GIVEN IN REFTEL. SOME OF HIS PERSONAL VIEWS ARE WORTH NOTING, HOWEVER, AND ARE REPORTED IN THIS CABLE. END SUMMARY.

2. RODRIGUEZ BELIEVES THERE IS AN 80 PERCENT CHANCE THIS PROJECT WILL BE UNDERTAKEN.

3. FINAL FEASIBILITY STUDY. THE UNOFFICIAL SHORT LIST OF FIRMS TO DO FINAL STUDY, AND IN HOUSE CONSULTANCY AS WELL, IS FIRM. GOP IS CONFIDENT IT IS TALKING TO THE RIGHT PEOPLE, AND HAS ADEQUATE INTERNATIONAL REPRESENTATION FROM JAPAN, EUROPE, AND THE U.S. LIST INCLUDES USSEC, ARMCO, KAISER, NIPPON STEEL,
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AND THEISEN. TO HIS KNOWLEDGE, KRUPP IS NOT INCLUDED. OTHER U.S. FIRMS SHOULD NOT BOTHER MAKING INQUIRES ABOUT THIS PHASE OF THE PROJECT.

4. EQUIPMENT SUPPLY. RODRIGUEZ BELIEVES U.S. FIRMS SHOULD BE INTERESTED AND ACTIVE IN THE SUPPLY OF EQUIPMENT. THE GOP HOPES TO GO OUT FOR BIDS FOR EQUIPMENT BY THE END

OF 1978. (NOT LIKELY IN OUR VIEW.)

5. EXPORT IMPORT BANK. IN THAT REGARD, AN EXPRESSION OF INTEREST BY THE U.S. EXIMBANK WOULD BE VERY USEFUL AT THIS TIME. RODRIGUEZ SAYS "SOMEONE COULD GET THE IMPRESSION THE USG IS NOT INTERESTED IN THIS PROJECT." THE JAPANESE EQUIPMENT MANUFACTURERS ARE "VERY HUNGRY FOR BUSINESS". JAPANESE CONCESSIONAL FINANCING IS NOT EXPECTED FOR EQUIPMENT SUPPLY, BUT JAPANESE EXIM BANK IS EXPECTED TO BE VERY COMPETITIVE. RODRIGUEZ WOULD APPRECIATE A LETTER FROM EXIM, INDICATING A GENERAL WILLINGNESS TO CONSIDER FINANCING U.S. EQUIPMENT SUPPLY, AND INCLUDING INFORMATION ON PERCENT OF PURCHASE COST EXIM IS WILLING TO FINANCE, INTEREST RATES, TERM OF LOAN, AND GRACE PERIOD ON PRINCIPAL. SUCH A LETTER COULD BE ADDRESSED TO SECRETARY VICENTE PATERNO AS CHAIRMAN OF COCIS.

6. COMMENT. ABOVE VIEWS SHOULD BE TAKEN IN CONTEXT OF REPORT BY JAPANESE EMBASSY COMATT (REFTEL) THAT BOI (PATERNO) FAVORS CONTINUED GOJ ASSISTANCE TO THIS PROJECT AND NSC (RODRIGUEZ) DOESN'T WANT FURTHER JAPANESE INVOLVEMENT. WE SHOULD NOT DISCOURAGE RODRIGUEZ'S EFFORTS TO STIMULATE U.S. EQUIPMENT SUPPLY TO THIS POTENTIAL MAJOR PROJECT. IT WOULD PROBABLY BE USEFUL IF EXIM COULD PROVIDE SOME INITIAL NON-BINDING EXPRESSION OF INTEREST AND WILLINGNESS TO CONSIDER FINANCING U.S. EXPORTS TO THIS PROJECT THAT COULD BE USED LIMITED OFFICIAL USE

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AS A COUNTERPOINT AT THIS STAGE OF PROJECT PLANNING. END COMMENT.
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